

Quarterly Financial Summary

3rd Quarter, Ended December 31, 2021

February 8, 2022
Kaneka Corporation

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The operating results forecasts and certain other statements contained in this document are forward-looking statements, which are rationally determined based on information currently available to the Company. For a variety of reasons, actual performance may differ substantially from these projections. They do not constitute a guarantee that the Company will achieve these forecasts or other forward-looking statements.



Summary

| | FY2020 3Q (Apr.-Dec.) | FY2021 3Q (Apr.-Dec.) | (Billions of yen) | |
|---|--------------------------|--------------------------|-------------------|--------|
| | | | Difference | |
| | | | Amount | % |
| Net sales | 421.5 | 508.7 | 87.2 | 20.7% |
| Operating income | 17.3 | 33.3 | 16.0 | 92.7% |
| Ordinary income | 12.6 | 31.3 | 18.7 | 147.7% |
| Net income attributable to owners of parent | 9.7 | 22.0 | 12.4 | 128.0% |
| Net income per share | ¥148.08 | ¥337.55 | | |

(Global Economy)

- COVID-19 vaccinations, the easing of infection control measures in many countries and the effects of economic and financial policies have put us on the right track to recover.
- Uncertainty remains in the business environment due to factors such as the shortage of materials/components (e.g., semiconductors), logistics disruptions, surging raw material/energy prices, the impact of COVID-19 resurgence on production activities, rising prices, etc.

(Kaneka Group's Business Performance)

- Sales and income increased in all business segments for the first nine months of this fiscal year.
- In 3Q (October 1 to December 31, 2021) net sales hit a record high and operating income exceeded ¥10.0 billion for the fifth consecutive quarter.



Net Sales, Operating Income by Segment

(Billions of yen)

| | Net sales | | | | | | | | | |
|--------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|--------------|
| | FY2020 | | | | FY2021 | | | | Difference (Total) | |
| | 1Q | 2Q | 3Q | Total | 1Q | 2Q | 3Q | Total | Amount | % |
| Material SU | 48.9 | 55.6 | 60.2 | 164.7 | 70.0 | 70.9 | 76.3 | 217.2 | 52.5 | 31.9% |
| Quality of Life SU | 29.7 | 33.9 | 39.2 | 102.8 | 40.9 | 41.9 | 43.4 | 126.1 | 23.3 | 22.7% |
| Health Care SU | 11.7 | 12.8 | 14.1 | 38.5 | 13.2 | 13.4 | 15.4 | 42.0 | 3.5 | 9.1% |
| Nutrition SU | 35.9 | 37.6 | 41.1 | 114.6 | 39.8 | 39.7 | 43.1 | 122.5 | 8.0 | 7.0% |
| Others | 0.4 | 0.2 | 0.2 | 0.9 | 0.3 | 0.2 | 0.2 | 0.8 | (0.1) | (8.0%) |
| Total | 126.6 | 140.1 | 154.8 | 421.5 | 164.1 | 166.2 | 178.4 | 508.7 | 87.2 | 20.7% |
| | Operating income | | | | | | | | | |
| | FY2020 | | | | FY2021 | | | | Difference (Total) | |
| | 1Q | 2Q | 3Q | Total | 1Q | 2Q | 3Q | Total | Amount | % |
| Material SU | 2.9 | 4.5 | 6.5 | 13.8 | 9.3 | 8.7 | 8.3 | 26.3 | 12.4 | 89.8% |
| Quality of Life SU | 1.2 | 2.7 | 4.4 | 8.4 | 4.6 | 4.7 | 4.5 | 13.8 | 5.4 | 64.7% |
| Health Care SU | 2.3 | 2.7 | 3.2 | 8.2 | 2.3 | 2.9 | 3.2 | 8.4 | 0.2 | 2.9% |
| Nutrition SU | 0.8 | 0.6 | 1.9 | 3.3 | 1.4 | 0.7 | 1.6 | 3.6 | 0.3 | 10.1% |
| Others | 0.2 | 0.1 | 0.1 | 0.4 | 0.2 | 0.1 | 0.1 | 0.3 | (0.1) | (20.4%) |
| Adjustment | (5.4) | (5.6) | (5.8) | (16.9) | (6.0) | (5.9) | (7.3) | (19.2) | (2.3) | - |
| Total | 2.0 | 5.0 | 10.3 | 17.3 | 11.8 | 11.2 | 10.3 | 33.3 | 16.0 | 92.7% |

Leading-edge businesses:

※SU : Solutions Unit

- In the Health Care Solutions Unit, the main contributing factors were the contracted production for coronavirus vaccines at facilities with enhancement of biologics capacity, and PCR testing kits/reagents.
New products in the blood purification business have been well received by the market and sales are expanding.
- In E & I Technology, sales are growing for polyimide products and resin for acrylic films.
- In PV & Energy management, sales are increasing due to rapid expansion of the needs for renewable energies.

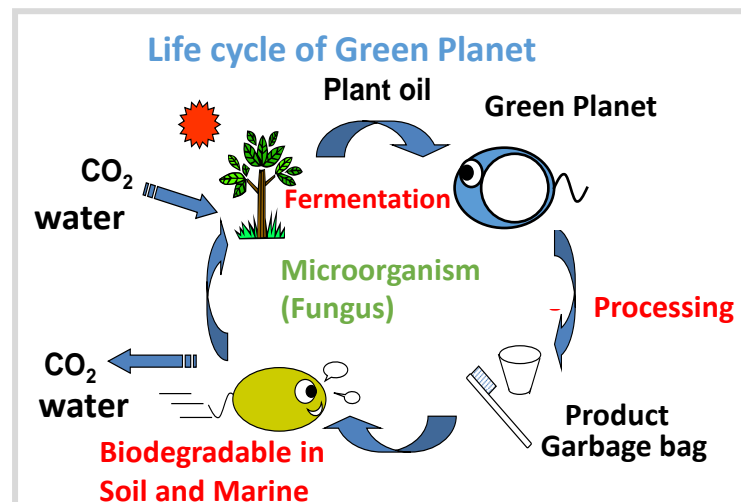
Foundation businesses:

- In the Materials Solutions Unit (Vinyls and Chlor-Alkali, MOD, MS) and Performance Fibers, we leveraged our global network, successfully to increase sales and profits significantly by fulfilling the vigorous demand outside Japan.
- * The transformation of our business portfolio is making steady progress.



① Large-scale capacity upgrade for KANEKA Biodegradable Polymer Green Planet™ (investment amount: approx. ¥15.0 billion, 15,000 tons/year, operation starting from January 2024)

- KANEKA Biodegradable Polymer Green Planet™ is a biopolymer produced by a microorganism fermentation process in which plant oil is used as a primary raw material, and is easily biodegradable in soil and seawater.
- It is a biomass material with the same functionality as plastics and offers innovative solutions to environmental destruction wrought by disposable plastics.
- It is estimated to be able to replace approx. 25 million tons of disposable general-purpose plastics globally every year, and its spread has the potential to change the very structure of society.
- With the facility capacity increase as the first step, we will move ahead sequentially to increase production as demand spreads globally, based on a policy of local production for local consumption.
- The facility has been designed to develop new products for new applications, to increase productivity through the development of innovative technologies, and to be able to conduct testing and verification to reduce costs. These experiences will also be leveraged to the next stage of upgrading capacity.





② New construction of a medical device plant in Hokkaido (investment amount: approx. ¥10.0 billion, operation starting from May 2024)

- We have decided to newly construct a state-of-the-art medical device plant automated and advanced through a convergence of IT and AI technologies in the eastern area of Tomakomai district in Hokkaido.
- We will produce products that selectively remove bad cholesterol from the blood, and products the market has rated highly as new treatment methods for severe cases of arteriosclerosis obliterans (ASO).
- We are expecting demand for these products to rapidly expand in the U.S. and China, and the new plant to secure a supply base, and we aim to expand the business.
- Our photovoltaics will be used in the plant site, aiming for a zero-energy factory. We will proactively use the business site for areas other than Medical business.
- We have started our new challenge of making “Wellness First from Hokkaido.”

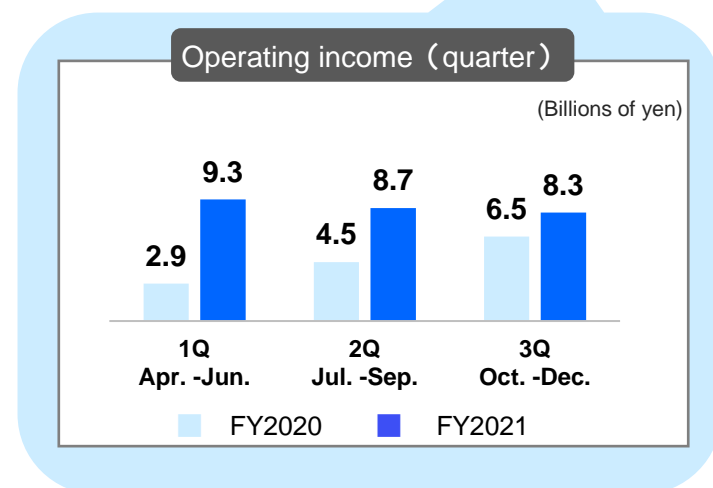
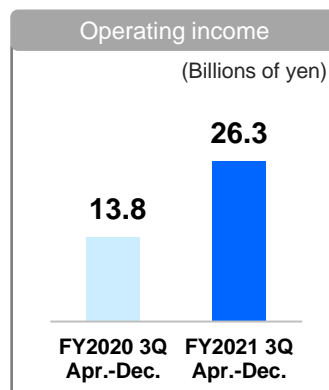
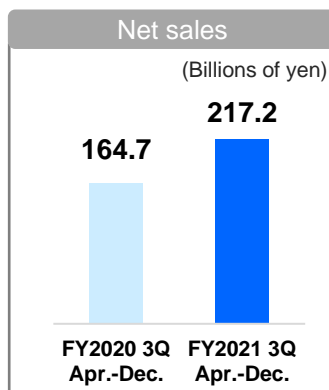


An image of the new plant

Business Performance by Segment (Material Solutions Unit)

Net sales **¥217.2 billion** **【up 31.9% YoY】**

Operating income **¥26.3 billion** **【up 89.8% YoY】**



Vinyls and Chlor-Alkali

- Demand continued to be strong for PVC resins in Asian markets such as India.
- Overseas market prices for caustic soda rose.

Performance Polymers (MOD)

- Demand has been strong in Europe and the U.S., sales are growing globally for non-PVC applications (automobiles, PCs and home electronics).
- Our four-base global supply chain is displaying its strengths and showing its effectiveness as a business model with the ability to differentiate from competitors.

Performance Polymers (MS)

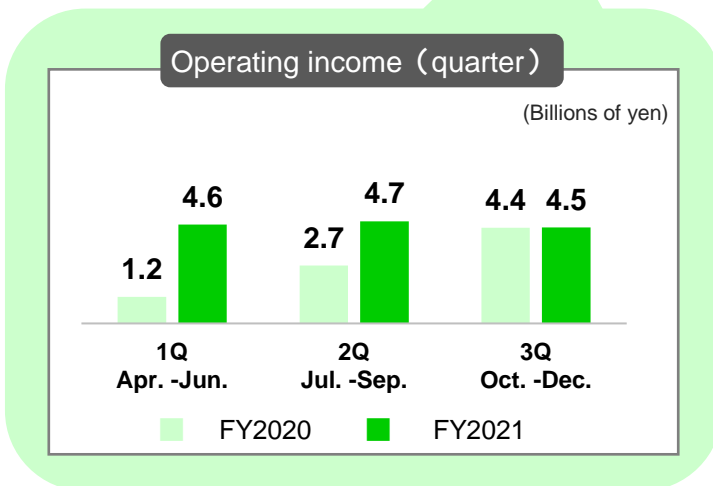
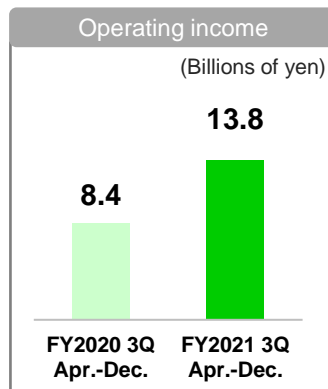
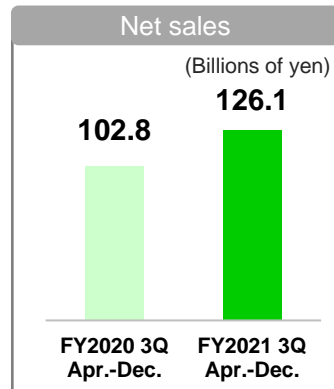
- Demand is expanding for construction applications in Asia as a new frontier, in addition to Europe and the U.S.
- As substantial demand is expected, we are considering upgrading capacity.

New Business

- KANEKA Biodegradable Polymer Green Planet™ is attracting inquiries from around the world and new adoptions are expanding. Major joint development projects are progressing with brand holders around the world who have a strong interest in reducing their environmental impact.

Net sales **¥126.1 billion** **【up 22.7% YoY】**

Operating income **¥13.8 billion** **【up 64.7% YoY】**



Foam & Residential Techs

- Sales were firm for expandable polystyrene resin (EPS) and extruded polystyrene foam boards (KLF). There was a powerful impact from surging raw material costs.
- Recovery in demand has been slow for polyolefin foam (EPO) for automobiles, where production is decreasing globally.

PV & Energy management

- Sales have expanded as the need for renewable energies were stimulated by national government policies.
- Demand for ZEB-oriented buildings (walls, windows and roofs) is accelerating.

E & I Technology

- Sales were strong for polyimide products for smartphones/OLED displays and resin for acrylic film for large-screen TVs.

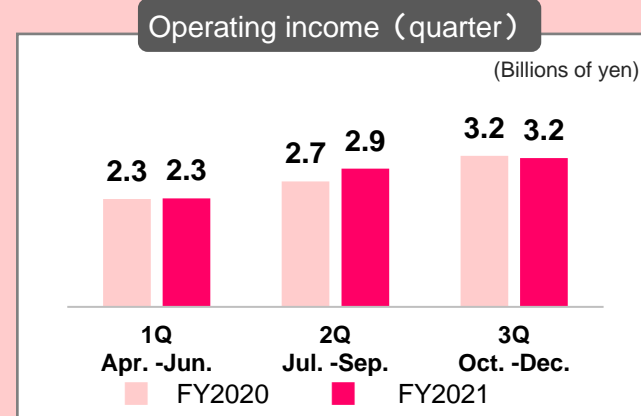
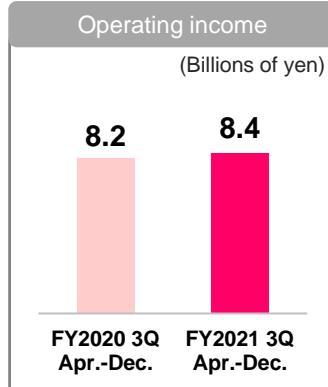
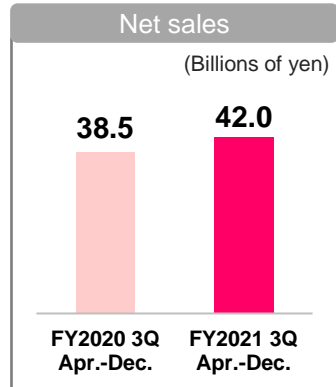
Performance Fibers

- Strong demand continued for hair accessories for the African market.
- Demand for flame-retardant materials is recovering and new recyclable products for eco fur products are attracting attention.
- Further capacity upgrades are under consideration to respond to growing demand.

Business Performance by Segment (Health Care Solutions Unit)

Net sales **¥42.0 billion** 【up 9.1% YoY】

Operating income **¥8.4 billion** 【up 2.9% YoY】



Medical

- Sales increased sharply for a new product to treat ASO, and overseas sales grew for catheters, such as coils for embolization of brain aneurysms.
- PCR testing kits simultaneously identifying Omicron and Delta variants of the coronavirus were sold, helping to prevent the spread of infection.
- We are accelerating global expansion by bringing the new Hokkaido plant into early strategic operation.

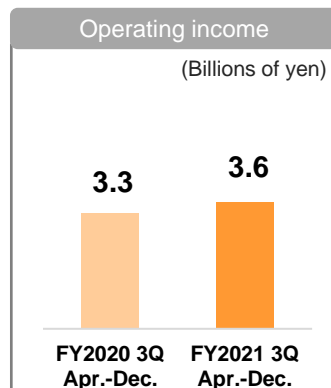
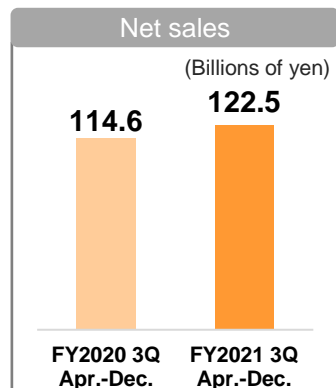
Pharma

- In biopharmaceuticals, contract manufacturing of COVID-19 vaccines was started on enhanced production lines at Kaneka Eurogentec S.A., contributing to business results.
- Research reagents and testing and diagnostic services performed steadily.
- In small molecule pharmaceuticals, new projects were captured, aiming for the expansion of our business.

Business Performance by Segment (Nutrition Solutions Unit)

Net sales ¥122.5 billion 【up 7.0% YoY】

Operating income ¥3.6 billion 【up 10.1% YoY】

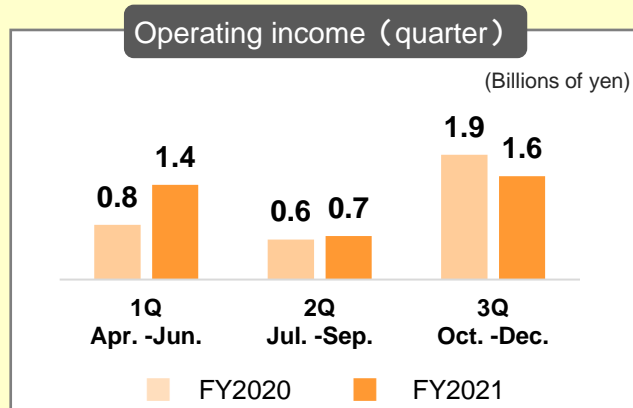


Supplemental Nutrition

- Sales of the active form of coenzyme Q10 were strong, reflecting a heightened awareness of the importance of increasing immunity.
- In Japan, the “Watashi no Chikara (My Energy)TM” series of products containing the active form of coenzyme Q10 obtained new function claims. The product lineup has been enhanced.
- The lactic acid business is gaining market recognition in the U.S., making progress on strengthening production system and increasing repeated orders.

Foods & Agris

- Demand has been gradually recovering, but there is a strong impact from large price increases of oil and fat raw materials.
- “panmusubi”, a mall-type e-commerce site, is gaining membership. B to C business is being strengthened by utilizing e-commerce sites and social media.
- We are contributing to sustainable society through organic farming and energizing the bakery and dairy industries.





Consolidated Balance Sheet

(Billions of yen)

| | March 31, 2021 | December 31, 2021 | Difference |
|---|-------------------|----------------------|------------|
| Assets | | | |
| Current Assets | 309.0 | 356.3 | 47.3 |
| Noncurrent Assets | 358.4 | 356.3 | (2.1) |
| Total assets | 667.4 | 712.6 | 45.1 |
| Liabilities | | | |
| Interest bearing debt | 118.2 | 118.5 | 0.3 |
| Others | 168.1 | 192.3 | 24.2 |
| Total liabilities | 286.4 | 310.9 | 24.5 |
| Net assets | | | |
| Shareholders' equity | 357.1 | 377.2 | 20.1 |
| Others | 23.9 | 24.5 | 0.6 |
| Total net assets | 381.0 | 401.7 | 20.7 |
| Total liabilities and net assets | 667.4 | 712.6 | 45.1 |
| Shareholders' equity ratio | 53.5% | 52.9% | |
| Net assets per share | ¥5,473.85 | ¥5,781.43 | |

* Shareholders' equity : Net assets deducting Noncontrolling interests and Subscription rights to shares

- Total assets increased, mainly due to rises in notes and accounts receivable-trade and inventory assets.
- Liabilities increased, mainly due to a rise in notes and accounts payable-trade.
- Net assets increased, mainly due to a rise in retained earnings.



Consolidated Business Revised Forecasts

(Performance Forecasts for the Fiscal Year Ending March 31, 2022)

- IMF forecasted global GDP growth in 2022 to 4.4%, a significant decrease from 2021's 5.9%.
- Economic slowdowns are forecast in the U.S., where inflation is increasing, and China, which is prioritizing measures against COVID-19. In addition, there are concerns of geopolitical risk in Russia, Eastern Europe, East Asia, Near and Middle East.
- In leading-edge businesses, we will continue to focus on “Wellness First” health through intensive Research & Business activities in electronics fields such as E&I Technology and PV & Energy management, in addition to KANEKA Biodegradable Polymer Green Planet™ and the Health Care business.
- In our foundation businesses, we will leverage the power of our global network to cover the vigorous overseas demand and strengthen our strong earnings capabilities to bounce back from the changing external environment. We continue to move forward with the transformation of our business portfolio.
- We have decided to upwardly revise the consolidated business forecasts announced on November 9, 2021.

| | (Billions of yen) | | | | |
|---|-------------------|-------------------------------------|------------------|-------------------------|-----------------------------|
| | FY2020 | FY2021 | | Change | |
| | Result | Previous forecast (Nov. 9, 2021) | Revised forecast | Vs. previous year | Vs. previous forecast |
| Net sales | 577.4 | 660.0 | 685.0 | 107.6 | 25.0 |
| Operating income | 27.5 | 42.0 | 43.5 | 16.0 | 1.5 |
| Ordinary income | 22.1 | 36.5 | 40.0 | 17.9 | 3.5 |
| Net income attributable to owners of parent | 15.8 | 24.0 | 26.0 | 10.2 | 2.0 |
| Net income per share | ¥242.68 | ¥367.88 | ¥398.53 | | |

*The forecasts from January 1, 2022 are based on exchange rates of ¥113 to the U.S. dollar, ¥130 to the euro and a domestic naphtha price of ¥61,000 per kiloliter.



Consolidated Business Revised Forecasts by Segment

(Billions of yen)

| | Net Sales | | | | | Operating Income | | | | |
|--------------------|--------------|-------------------------------------|------------------|-------------------|-----------------------|------------------|-------------------------------------|------------------|-------------------|-----------------------|
| | FY2020 | FY2021 | | Change | | FY2020 | FY2021 | | Change | |
| | Result | Previous forecast (Nov. 9, 2021) | Revised forecast | Vs. previous year | Vs. previous forecast | Result | Previous forecast (Nov. 9, 2021) | Revised forecast | Vs. previous year | Vs. previous forecast |
| Material SU | 230.5 | 273.0 | 295.0 | 64.5 | 22.0 | 23.3 | 31.0 | 34.0 | 10.7 | 3.0 |
| Quality of Life SU | 141.0 | 168.0 | 168.0 | 27.0 | - | 10.7 | 17.0 | 17.0 | 6.3 | - |
| Health Care SU | 52.4 | 61.0 | 61.0 | 8.6 | - | 11.4 | 13.5 | 13.5 | 2.1 | - |
| Nutrition SU | 152.4 | 157.0 | 160.0 | 7.6 | 3.0 | 4.9 | 5.5 | 5.0 | 0.1 | (0.5) |
| Others | 1.1 | 1.0 | 1.0 | (0.1) | - | 0.6 | 0.5 | 0.5 | (0.1) | - |
| Adjustment | - | - | - | - | - | (23.3) | (25.5) | (26.5) | (3.2) | (1.0) |
| Total | 577.4 | 660.0 | 685.0 | 107.6 | 25.0 | 27.5 | 42.0 | 43.5 | 16.0 | 1.5 |

※SU : Solutions Unit



Dividends Revised Forecasts

| | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 forecast | |
|----------------------------|--------|--------|--------|--------|------------------------------------|---------------------|
| | | | | | Previous forecast (Nov.9, 2021) | Revised forecast |
| Net income per share:(yen) | 328.46 | 339.15 | 214.70 | 242.68 | 367.88 | 398.53 |
| Dividends per share:(yen) | 90 | 100 | 100 | 100 | 100 | 110 |

* The Company conducted a consolidation of shares common stock at the ratio of five shares to one share on October 1, 2018.
Net income per share and dividends per share was calculated using the number of shares after the share consolidation.

- We have decided to increase the forecast annual dividend per share by ¥10 per share to ¥110 for the fiscal year ending March 31, 2022, in conjunction with the revision of consolidated business forecasts announced on November 9, 2021.



KANEKA CORPORATION
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